IMT Nuremberg Archives

H – 2739

International Court of Justice

H2739 - 0002

INTERNATIONAL MILITARY TRIBUNAL

FOR THE MAJOR WAR CRIMINALS

French Delegation to the

Public Prosecutor

— Economic Department —

BRIEF NOTE ON THE RESPONSIBILITY OF THE DEFENDANT SCHACHT

H2739 -0003

NOTE ON THE RESPONSIBILITY OF THE DEFENDANT

SCHACHT

* * * * * * * * * * * * * * * * *

Between 1923 and 1939 SCHACHT appeared as the German personality who played a dominant role in:

- the creation of the Reichsmark,
- the abolition of reparations,
- the financing of Germany's rearmament.

Hjalmar Horace Greeley SCHACHT was born on 22 January, 1877, at Tingleff (Schleswig-Holstein.)

After a residence of several years in America, his father, William SCHACHT, who had a school-teacher's certificate, returned to Schleswig-Holstein and became the editor of a small local newspaper, the "Heider Zeitung", he founded a soap factory, following business reverses he contented himself with a position as a humble commercial clerk in Hamburg, but managed to assure the education of his two sons in one of the best educational institutions, where Hjalmar SCHACHT left the memory of being a mediocre pupil.

In 1895 he passed his "Abitur" examination (graduated from high school.) After having begun the study of medicine, which he abandoned almost immediately, he established himself at Berlin to follow courses in Germanic studies. The following year he

H2739 - 0004

....

studied the theory of economics at Munich.

On 1 February, 1897, he joined the "Petit Journal" in Berlin.

In April, 1898, he resumed his university studies at Leipzig. He published an essay entitled "Statistical Inquiry into the German Press".

He passed the following winter in Paris as a visitor at the "College Libre des Sciences Sociales", then returned to Kiel, and in April, 1899, he received his doctor's degree after having submitted a thesis on the basic theories of English mercantilism.

His German biographer, Franz Reuter, describes him about the year 1900 as "rather contradictory, friendly, reserved, with a logical mind, not disdaining purely material pleasures, energetic, sure of himself, quick-witted, eager and optimistic".

- 0 -

After several visits to London and Paris, on 1 March, 1900, he became an assistant in the "Central Office for the Preparation of Commercial Agreements", then in the "Trade Agreement Association" (Handelsvertragsverein), directed by the first director of the Deutsche Bank, where for two years he was very active.

.....

H2739 - 0005

.....

On 10 January, 1903, he married Luise Sowa.

On 1 April, 1903, the directors of the Dresdner Bank commissioned him to form an office of economic and statistical studies, and to these duties he added those of chief of the press office. He edited banking circulars that aroused much comment and participated in discussions with the directors of foreign banks.

He became chief of the banking department in Germany's general government in Belgium after the occupation of this country in 1914. He substituted the tax regime for that of requisitions in kind, but he was obliged to relinquish these duties, he was accused of having conducted operations in the Belgian franc, for the account of the Dresdner Bank, when his position as a government official prohibited this. (Vocke Statements - Hamburg 21/4/45 US.)

On his return to Berlin, in 1916 he was appointed Director-General of the "National Bank of Germany, a second-rate house whose business was not prospering. Through his initiative, by November, 1918, this establishment had become one of the most important German banks.

After the armistice of 1918, he entered politics and encouraged the formation of the "German Democratic Party", which was supposed to fight against Communism. He occupied himself chiefly with the problem of reparations; he urged yielding to force in order to prevent a rupture, making a few payments in kind in order to ease the atmoshpere, and then beginning negotiations.

H2739 - 0006

In December, 1925, he outlined a project to regulate reparations in the "Berliner Tageblatt".

In 1923, he fought against the occupation of the Ruhr.

During the inflation period, he remained an adept in theories on gold, the only international currency, called for healthier finances, fought against the idea of a total bankruptcy and against a policy of even long-term loans. He accused the Reichsbank of favoring speculators by granting them credits without any controls. He supported the formation of a "gold foreign exchange" bank, the capital of which would be subscribed, either in gold or in gold foreign exchange, by German capitalists, who, according to him, possessed at that time 3 or 4 milliards of gold marks.

In October, 1923, Stresemann offered him the post of Finance Minister, but since he was accused of having committed irregularities at the time of his service in Belgium during the war, Dr. Luther was preferred to him. However, after an inquiry, on 12 November, 1923, he was appointed "Currency Commissioner" with the task of stabilizing the mark.

Despite various intrigues by his adversaries, he remained in office.

On 20 November, 1923, he decreed the stabilization of the mark (1 dollar = 4,200 milliards of marks, or 4.20 Rentenmarks).

...../

H2739 - 0007

...

One month later, 22 December, 1923, he was appointed President of the Reichsbank.

Confidence was restored, important receipts in gold were registered (at the end of 1923, 200 million marks).

After the conference of the Dawes Plan experts (beginning of 1924), he obtained British capital.

At the same time he formed the "Golddiskontbank", with a capital of 10 millions (5 millions furnished by the English banks and 5 millions by a German group (consortium)), which was then free from government influence and restricted to the financing of international commerce.

He likewise effected an international loan of 800 million marks, which permitted the reestablishment of German currency on the basis of the Reichsmark, with a value equal to the Rentenmark, but exchangeable for gold.

On 7 April, 1924, he ordered the Reichsbank to limit and restrict the credits which it had granted.

The situation was otherwise only reestablished in appearance; actually, the foreign exchange which entered Germany left it immediately to cover the foreign trade deficit and reparations.

In spite of the Reichsbank's advice, the government continued to seek credits abroad.

H2739 - 0008

According to financial publications of the period from 1924 to 1929, Germany borrowed 18,700 million marks in gold abroad. She must have used 4 in payment of reparations, 10,700 must have been spent just to cover the foreign trade deficit, 1,800 were reexported in payment of debts the 2,200 million balance would have remained in Germany, but this country still owed the total of 18,700 million marks to foreign lenders.

- o -

At the same time he was engaged in stabilizing the currency, SCHACHT strove to bring about the abolition of the "Reparations" with which Germany had been obligated by the Treaty of Versailles.

All his efforts tended to disconnect the political problem from the economic problem and to establish committees of experts charged with fixing the sums demanded in relation to Germany's real capacity to pay.

The mediocre economic results of the occupation of the Ruhr encouraged him in this direction.

The Dawes Plan (1924) was an initial success for him.

At the end of 1928, the Allied and German governments entrusted a new committee of experts with the task of establishing a definite plan destined to replace the Provisional Plan of General Dawes. SCHACHT became president of the German delegation of this committee. He stressed the point that in signing the London Pact, Germany had fulfilled all her obligations in the Treaty of Versailles and that henceforth she was entitled to the evacuation of the Rhineland.

H2739 - 0009

• • •

He displayed such an intransigent attitude at the end of December, 1929, in attacking the Hague Agreements, which he had signed himself, and in pretending, in particular, that the formation of the Bank of International Adjustments would depend on the previous ratification of the Young Plan without any new modifications, that the government of the Reich repudiated him. SCHACHT resigned from his post in the Reichsbank on 7 March, 1930. At that time, the financial situation of the Reich was growing worse.

- o -

During his retirement, SCHACHT wrote his book "The End of Reparations". In a private capacity, he made trips to England and above all to the United States, where he delivered forty lectures, the theme of which was a fierce campaign against the principle of Reparations, which, he declared, were the cause of the non-repayment of the debts contracted by Germany in America. The Government of the Reich was obliged, officially at least, to reputiate him once again.

In September, 1930, after having participated in the vote which brought the first electoral success of the National Socialists (107 seats in the Reichstag), he declared to his British hosts:

> "It was not the National Socialists who threatened German credit, but the attitude abroad towards German economy."

SCHACHT himself stated on 30 April, 1946, to the International Military Tribunal that after the elections of December, 1930, he made a trip to America, that he read "Mein Kampf" on the steamer, and that on his arrival he declared during an interview:

H2739 - 0010

.....

"If you foreigners do not change your policy toward Germany, there will soon be many more followers and adherents of Hitler in Germany."

According to his biographers (Henri Bertrand), it was in December, 1930, that SCHACHT entered into relations with HITLER, whom he considered as possessing the genius, the capacity and the national and moral qualities capable of making an ideal head of the government.

He devoted himself to Hitler's success.

Thanks to SCHACHT's reputation, in Germany as well as abroad, National Socialism gained enormous standing.

When the financial situation grew worse, SCHACHT tried to get Bruening to make an alliance with Hitler, but his advice was not followed.

According to his statements before the International Military Tribunal, it was in December, 1931, that this first interview must have taken place; a mistake must have been made in designating the year, since in October, 1931, SCHACHT took his place beside Hitler, Hugenberg and Seldte during the meeting of the Front National at Harzburg.

He indicated to the International Military Tribunal that the meeting took place at Goering's house in the presence of Fritz Thyssen.

...../

H2739 - 0011

SCHACHT has acknowledged that after this interview he immediately asked Chancellor Bruening to take National Socialists into his Cabinet; according to him, Hitler was willing, but Bruening refused, which was the cause of the latter's fall.

SCHACHT has stressed the fact that he was not a party member, he has said that if he received the gold party emblem later on in 1937, it was solely in his capacity as Minister.

According to his biographer, Reuter, if SCHACHT never joined the party it was because he thought he could serve it better by "not imprinting this public consecration on his new political sympathies."

SCHACHT stated the following on this subject during the session of 30 April, 1946:

> "I think Hitler was of the opinion that I could be more useful to him outside the party and that Dr. Reuter got wind of that. Outside of this, I should like to ask you not to hold me responsible for Dr. Reuter's statements."

Questioned by his attorney on his sympathies for National Socialism, SCHACHT declared that he found himself in opposition to a whole series of points in the National Socialist ideology which could not agree with his democratic opinions, he maintained that he did not vote for Hitler in July, 1932.

However, on 29 June, 1932, in a speech at Hannover, SCHACHT defined the principles which ought to animated the monetary and financial economic policy of a "national" German government. The National Socialist party

H2739 - 0012

.....

adopted them and encouraged the distribution of a booklet on this subject, "The Principles of a German Economic Policy", written by SCHACHT.

When Hitler was designated by Hindenburg in the capacity of Chancellor of the Reich at the end of January, 1933, it was necessary for him to obtain a majority in the subsequent elections of March 5.

Parallel with the political and police activity of Goering in the Ministry of the Interior, SCHACHT organized the financing of these elections, especially during a meeting at Goering's house where Hitler addressed the German industrialists and financiers (statement by Funk; E.C. 440)

After the seizure of power, Hitler had decided to place SCHACHT at the head of the Reichsbank, as it had been necessary to abolish the position of the president in office, Dr. Luther, by sending him to Washington in the capacity of Ambassador; SCHACHT's appointment was not official until 17 March, 1933, several days after the decisive elections of 5 March, 1933, in which Hitler received the popular vote.

Upon his arrival at the Reichsbank, SCHACHT was placed at the head of the Control Committee, charged with financing large public works for the relief of unemployment, but actually all his efforts had but one goal -- the solid rearmament of Germany.

...../

H2739 - 0013

.....

He had been secretly appointed Plenipotentiary for War Economy on 21 May, 1935, (2261 PS US. 24), which gave him a rank equal to that of Minister of War (cross-examination of 2 May, 1946).

-o-

Since SCHACHT financed the rearmament of Germany, it is necessary to give a few brief explanations on the reestablishment of the military power of the Reich.

Two German documents:

- report by General Thomas (2,353 PS, submitted under No. USA - 35)
- report by Captain (Navy) Schussler (C 158, submitted under number DB 209 and USA 49).

  (See also report by Captain Doctor Bosse discovered in Berlin M.C.C.).

permit us to establish the different stages of rearmament.

Shortly after the armistice of 1918, high German military personages, deceiving the Allied control committees, undertook, in the greatest secrecy, the restoration of the economic potential of the Reich in view of a rearmament.

After January, 1925, the foundations for a plan for economic mobilization were established.

.....

H2739 -0014

.....

Under cover of a statistical company, "STEGA", headed by the industrialist Borsig, a group (consortium) was founded with a view to the realization of an armament program.

A corps of "economic officers" was created for the purpose of adapting existing industries, with the agreement of their directors, "reliable men", to a rapid war production and to carry out investigations for information in foreign countries.

At the time of HITLER's accession (January, 1935) everything was ready for the rapid realization of a considerable armament program.

After giving lengthy explanations of the clandestine rearmament activity between 1919 and 1933, Captain (Navy) SCHUSSLER writes in his above-mentioned report of 20 April, 1937:

> "The unanimous agreement of the entire nation, together with the seizure of power on 30 January, 1933, had a decisive influence on the forms and extent of the eventual rearmament. While the Reichsrat was approaching its extinction and ceasing to be a legislative body, the Reichstag was remodeled, which put an end to its equivocal attitude toward the reinforcement of the Wehrmacht. It was on these foundations that the Government of the Reich began to guide and direct rearmament.
>
> "The Government having siezed the reins, the effect for the army was that the Reich Minister of War, General von Blomberg, and through him the three branches of the armed forces, had increased powers for proceeding toward the restoration of the Wehrmacht, a task upon which all the organization of the Reich was based.
>
> "Because of these increased powers, the collaboration of the checking committee in the distribution of secret credits ceased to have any reason for existence; there only remained the normal exercise of control by the Reich Court of Accounts.
>
> .....

...../

H2739 - 0015

.....

When, on 16 March, 1935, the Fuehrer, relying on the Wehrmacht which in the meantime had already been reinforced, announced the restoration of the sovereign rights of the Reich in the military field, the last limitation imposed on the work of rearmament, that is, the camouflage of foreign policy, was removed.

"Freed from all the chains which had hampered our freedom of movement for 15 years on and below the water, on land, and in the air, and carried away by the military enthusiasm which had been awakened in the entire nation, the Wehrmacht and its constituent part, the Navy, can henceforth carry through to a finish the work of its rearmament, already begun, with the goal of assuring to the Reich the place which belongs to it in the world! .."

H2739 - 0016

.....

The Financing of Rearmament

Between the years 1933 and 1936, when various persons denounced the German peril, many clever minds, in different countries of the world, allayed these fears by maintaining in principle that Germany was not able, by reason of her financial situation and her lack of raw materials, to manufacture modern weapons in sufficient quantity.

SCHACHT, however, was to conquer these two difficulties by abandoning, temporarily, he said, the classic economic theories of which he was a convinced follower, in order to plunge into bold financial operations which could only lead his country to bankruptcy and war.

It is undeniable that at no price did he desire an inflation which would have brought about both the ruin of his country and the fall of Hitler's government, but that he had war in mind, in order to restore Germany's finances and to assure her economic hegemony.

SCHACHT, secretly appointed Plenipotentiary for War Economy, was in touch with General Thomas, the chief military proponent of rearmament, and the secret organizations that prepared for war from the economic point of view, which, as Captain (Navy) Schussler indicates, had secret funds available.

...../

H2739 - 0017

Upon SCHACHT's arrival at the Reichsbank, for the officially alleged purpose of putting an end to unemployment, a program of financing large public works was commenced: drainage, house construction, railroads, post offices, auto highway construction (6.900 kms. - 3.500 million marks) etc...

It is evident that along with the expenditures made for works which combined a peaceful and a strategic goal, railroads, roads, dredging, etc... a considerable proportion of the credits was secretly utilized for the purposes of Germany's rearmament.

The investigations in progress are not sufficiently advanced to give precise details on the military expenditures, listed under another heading.

Concerning military expenditure, properly speaking, document 1168 PS, submitted under the number USA. 37, Memorandum of 3 May, 1935, coming from but not signed by SCHACHT, with reference to rearmament, gives us a few indications.

1. - The fact that rearmament was supposed to be completely concealed until 16 March, 1935, and that after this date the camouflage was supposed to be partially maintained, have made it necessary to issue a larger number of banknotes.

2. - Other means of financing armament must be found.

...../

H2739 - 0018

.....

3. - 2 milliards 374 million marks were paid out for rearmament by the Reichsbank in April, 1935, (presumably the financial year of 1934-1935, the budget year ending in the month of April).

4. - The Reichsbank has expended in armament contracts the greater part of the credits in German marks belonging to foreigners and which were accessible to its administration, which has made it possible to finance armament in part with the assets of the political opponents of the Party.

A loan of 500 million marks in January, 1935, coming from the Savings Banks, has been utilized for armament.

5. - The regular budget for the armed forces has been:

1933-1934	450	million marks
1934-1935	1,100	" "
1935-1936	2,500	" "

6. - The total deficit of the budget since 1928, according to the estimates of 1935-1936, has increased from 5 to 6 milliard marks.

9. - All expenditures which are not indispensable should be stopped, and the entire financial power of Germany, small in itself, should be concentrated toward the sole aim: arming. Without such a concentration, the task of rearmament would certainly fail.

According to KEITEL (questions asked KEITEL by SCHACHT's attorney) the financing of armaments must have been as follows:

...../

H2739 - 0019

• • •

Budget year until:-	Total Expenditures	By the Reichsbank	Without the Reichsbank
to 31.3.35	?	2½ milliards RM	7 milliards RM
" 31.3.36	5 milliards RM	3¼ " "	1,3/4 " "
" 31.3.37	7 " "	3¼ " "	3,3/4 " "
" 31.3.38	9 " "	3½ " "	5,3/4 " "
" 31.3.39	11 " "	nil	11
" 31.3.40	20½ " "	nil	20½

It has not yet been possible to verify these indications, it appears certain that they only comprise the "official" armament expenditures, while a part of the real armament expenditure was listed under a different budget, since, as SCHACHT writes, the "camouflage" was continued until after 16 March, 1935.

In any case, the picture presented by SCHACHT's attorney contains figures lower than the reality. Actually, it appears from the report submitte 1 September, 1938, by SCHWERIN von KROSIGK to HITLER (EC 419 - USA 621) that for the financial year 1937-38 the armament expenditures were increased to 11 milliard marks and for the financial year 1938-39 to 14 milliard marks; the previous financial years are not mentioned in this report.

One can say that at a minimum the armament experiture was:

1935-36 - 5 milliards
1936-37 - 7 milliards
1937-38 - 11 milliards
1938-39 - 14 milliards

It is evident that SCHACHT, who passes for one of the most eminent economists of our time, was unable, for the purpose of financing rearmament, to have a considerable quantity of paper money or loans issued, exceeding the savings possibilities of the German people,

...../

H2739 - 0020

without provoking an inflation that would have brought about a new fall of the mark. He had recourse to various expedients to procure the necessary credits.

At first, a part of the expenditures was covered by the regular budgetary receipts, but these were notoriously inadequate and it was necessary to call upon short-term securities. It was then that SCHACHT created a series of renewable "drafts", namely, the "Arbeitsbeschaffungswechsel", for which the State was able to mobilize the credit of the banks for its use. The drafts, which were discountable by the Reichsbank, had the appearance of ordinary commercial drafts.

At the beginning of 1935 the financing of armament was to become more and more extensive, so SCHACHT, after considering several financing techniques, proposed the use of drafts, having the appearance of ordinary drafts, which were called "MEFO" drafts.

These drafts were issued on a drawee who had not furnished any cash collateral, a limited liability company created for the needs of the cause: "Metallurgische Forschungsgesellschaft", abbreviated to "MEFO" (Company for Metallurgical Research).

This company accepted them and had them endorsed in blank by another specially created limited liability company. "Handelsgesellschaft fuer Industrie Erzeugnis".

In drawing the first security, the drawer was to add to it a number of renewable drafts, in such a way that the last would fall due between January and March, 1942.

...../

H2739 - 0021

.....

The Reichsbank could discount the original draft during its last three months, these drafts were not subject to taxation, no deduction could be required of MEFO (E.C. 418 and E.C. 436, USA 620). No recourse was possible against the co-signatories.

It appears from the above-mentioned report by Schwerin von Krosigk (EC 419) that MEFO drafts had been issued to an amount of 13 milliards 300 millions of marks.

How is the character of these drafts to be analyzed from the legal point of view?

To be sure, one can say that actually it is a means of credit which the State procures for itself, exclusive of an issue of paper money, regular loans or normal budgetary resources.

Such a definition does not preclude the fact that such drafts, like ordinary commercial drafts on a fictitious drawee who had furnished no collateral, and fictitiously endorsed, present all the characteristics of accommodation notes, the circulation of which was intended to finance rearmament. SCHACHT himself acknowledged on 1 May, 1946, that these drafts circulated among the public for at least 3 months before they were presented to the Reichsbank and that merchants used them and negotiated them.

Under these conditions, one can state as a matter of principle that during the period which elapsed between 1933 and the end of 1938, due to SCHACHT's initiative, the German bankers and industrialists submitted themselves to discipline with a view to financing the armament program of the Third Reich in order to enable it to undertake wars of aggression.

....

H2739 - 0022

....

Such a discipline could not be imposed on, nor even simply accepted by, the directors of German economy; to attain such results their moral adherence was necessary, their tenacious desire to make HITLER's plans succeed and to offer proof of a very special zeal.

They were not ignorant of the fact that from the economic point of view such expedients could only lead to three solutions:

- 1.) consolidation of the debt by foreign loans, which was impossible.,
- 2.) inflation even more serious than that of 1923, which they did not want at any price,
- 3.) finally, the war of aggression, war will pay, they thought.

In a Memorandum of 7 January, 1939, by the Directorate of the Reichsbank, which will also be discussed farther on (EC 339 - USA 631), SCHACHT writes as follows:

> "For a long time the Reichsbank has drawn attention to the dangers arising for the monetary standard from an exaggerated tension of the public expenditures and short-term credit. By the end of the year 1938, the state of the currency and finances reached a crucial point which obliges us to ask you to make decisions enabling us to master the threatening danger of inflation.
>
> "From the beginning, the Reichsbank has clearly seen that successes in foreign policy could not be attained except on the basis of the restoration of the German army. It is for this reason that, despite the constant dangers to our monetary policy, it has largely taken upon itself the financing of rearmament. The justification for this was found in the necessity, stronger than any other consideration, of immediately setting up a rearmament from nothing, and which moreover was camouflaged in the beginning, making possible a dignified foreign policy . . "

Then having pointed out the danger of inflation following the circulation of the "MEFO" drafts, he

...../

H2739 - 0023

.....

"the artificial structure, so full of risks, which the Reichsbank has constructed for the financing of armament will be shaken to its foundations...."

Questioned by his attorney, SCHACHT declared in substance that if HITLER had used the blocked money for financing the "MEFO" drafts, the financial policy would have developed just as he had predicted, but that HITLER preferred to refuse payment of the "MEFO" drafts and use the money "which he had" in the armament factories. SCHACHT added that he could not foresee that HITLER would not keep his word.

In this way he insinuates that the "MEFO" drafts were backed by blocked funds and that HITLER, despite his advice, had spent the funds and refused payment of the drafts.

But cross-examined by Justice Jackson 2 May, 1946, 1400), SCHACHT acknowledged that at the time of the creation of the "MEFO" drafts he had no available means of financing armament, that he was limited by the laws of the Reichsbank which did not permit him to obtain sufficient credits to carry out the armament program, and that finally the means which he employed had been "to create exchange in the one branch which permitted the Reichsbank to loan to the Government by subterfuge that which normally and legally it could not do."

H2739 – 0024

Raw Materials.

Germany did not possess in her country the necessary raw materials for her armament productions. In 1934 the monthly imports attained 384 million marks against 350 millions of exports. The monetary cover (gold and foreign currencies) dropped from 975 million marks in 1932 to 78 million in July 1934.

At the beginning of 1934 SCHACHT called together his foreign creditors; after long negotiations he decreed, on June 14, by a unilatera decision, a general moratorium of transfers for 6 months, and that Germany could no longer assure the service of the Dawes and Young loanz. Some time later, clearing conventions were agreed upon between Germany and the countries which supplied raw materials. Later on countries having agreed upon such conventions were disappointed.

In order to favorise the exports and to reduce the imports SCHACHT elaborated the "Neuer Plan"

. . . / . . .

H2739 - 0025

Germany's commercial balance was then a deficit of 216 millions. SCHACHT had to stop the imports which were not indispensible for rearmament; this enabled him to reduce the deficit to 67 millions.

In order to satisfy the organizers of military power, SCHACHT imported the indispensible raw materials for the execution of the rearmament program, so he took simultaneously the following measures:

- He perfected a system of selection of imports and of their derivatives; he decided that only the raw materials necessary to armament would be imported; he increased the importation of ore by 132 %, of petrol by 116 %, of cereals by 102 %, of rubber by 71 % (SCHACHT's speech of 22 November 1938, EC. 611. U.S.A. 836)

- He made the hierarchy established between the industries, more strict, according to their importance;

.../...

H2739 - 0026

He took measures for "dumping", the administration of which he committed to the "General Organization of the German Industrial Economy" and later to the "Economic Chamber of the Reich".

The industrial personalities, who were at the head of the Economic Chamber of the Reich, fixed, deducted and distributed the premiums and contributions of the German "dumping".

The German industrialists have knowingly accepted participation in these measures of "dumping", at the same time, contrary to the principles of a peaceful economic organization and dangerous to their interests, as was also the circulation of the "MEFO" drafts, with the evident aim of rearming in view of wars of aggression which should give Germany, at least they hoped so, territories productive in raw materials, and to assure them an economic hegemony in Europe.

The decisions of the Economic Chamber of the Reich were taken in secret council and communicated to those who were not admitted at its meetings, in the form of comminatory directives.

.../...

H2739 - 0027

(Page 25 of original)

SCHACHT confined himself to communicating suggestions to the Economic Chamber of the Reich, the industrialists who formed part of it thus engaged their personal responsibility.

During an interrogation (16 October 1945 - USA 636), when asked to discribe the most important measures which he adopted to succe in rearmament, SCHACHT declared:

"I tried to find at home all the money possible to finance the "MEFO" drafts, and I tried to maintain the foreign trade as much "as possible."

Before the International Military Tribunal, SCHACHT tried to pretend that the New Plan only had in view the supplying of Germany, but he was forced to admit having declared publicly, on 29 November 193

"These figures show to what extent the new plan helped "and contributed to execute the armament program as well as "to enable us to procure the necessary food for ouselves...

The results of the New Plan did not seem adequate to the leade of the Reich, the situation was becoming more and more difficult, Germany wished to buy always more raw materials abroad

...../..
6467

H2739 – 0028

for her armaments, but was unable to pay for them.

With HITLER's consent, SCHACHT went to Paris in August 1936, with the evident hope of obtaining deliveries of raw materials while raising colonial claims, and this in exchange for a bilateral pact of non-aggression just at the moment when compulsory military service of two years was reestablished in Germany. According to him, the reception he received left hope that negociations would be possible, but the London Government, which the French Government wished to take part in the negociations refused.

HITLER thought it unnecessary to pursue the negociations further, and declared on 8 September 1936 that Germany would be able to get along on her own without outside help and that he continue the struggle by the solemn proclamation of the institution of the Four Year Plan.

H2739 - 0029

The Four Year Plan.

In his statement of 8 September 1936 made at the Nuernberg congress, HITLER justified the creation of the Four Year Plan as follows:

> "..... in order to make Germany enterely independent from foreign countries for its requirements of raw materials, which could by some means or other be replaced, thanks to German ability, to our chemistry, to our machinery, as well as to our mines..."

The Four Year Plan is a flexible organization, intended to direct the existing ministries in all matters pertaining to economic questions and more particularly the problem of the raw materials Germany lacks for her rearmament.

GOERING had been appointed Deputy of the Fuehrer for the Four Year Plan; he was assisted by a "General council" made up of the representatives of certain ministries; in particular:

BACKE of the Ministry for Aguculture and Food,
LANDFRIED of the Ministry for National Economy,
WIEHL of the Ministry for Foreign Affairs,
president of the "Handelspolitische Ausschuss",
KLEINMANN of the Ministry for transportation;

H2739 - 0030

certain department heads of the Four Year Plan office took part in the meetings, particularly KÖRNER, NEUMANN, GRAMSCH and KATGLEN (testimony of Paul KÖRNER of 29 May 1946).

After 1 December 1936, GOERING decreed a general stabilization of prices, with a retroactive effect, at their level of 18 October 1936, a measure which in effect, however, soon became a dead letter, owing to the numerous exceptions which were authorized, but gradually a general price control became established in Germany on the basis of the "fair price" principle .

From the viewpoint of the economic theories, which were held by SCHACHT and the industrial leaders, the establishment of the Four Year Plan was an utopia and so difficulties were not long in arising

The creation on 15 July 1937 of the "Hermann GOERING Werke" corporation, which was to become a state enterprise threatening to absorb private industries, gave the industual leaders and SCHACHT much uneasiness; a real Party dictatorship seemed about to be extended to industry, which so far had preserved a relative independance;

H2739 - 0031

8166
G/PG

the new measure threatened to ruin all the efforts of the last few years.

Thus the Rhine-Westphalian steel mills, which had been ordered to conform their manufacture to the Four Year Plan program by using poor ore of German origin in preference to iron ore coming from foreign countries, saw their plants forced to an economically impossible production.

The "Hermann GOERING Werke" corporation was entrusted with the transformation of the low-grade iron ores which the steel industry did not want to handle. This state corporation which was becoming more and more powerful, threatened to absorb a large number of plants. Disturbed, the leaders of heavy industry sent a survey on the Four Year Plan to the Ministry for Economy containing some criticisms. (This memorandum was published in the newspaper "l'Information" of 28 and 31 August, 7 and 9 September 1937).

..../....
8166

H2739 - 0032

8167
G/PG

After making a survey of Germany's general economic situation and its possibilities of self-sufficiency, the authors of this survey show that Germany cannot do without the raw materials of foreign origin, despite the production of synthetics. National production, which covered raw material requirements only up to 20 to 25%, could only be increased by 30 or 40% by the application of the Four Year Plan. Schacht, who incontestably had the same ideas, made a last, vain attempt in Brussels in April 1937 and in Paris during the following month of May, with a view to inducing Belgium and France to make deliveries of raw materials which had no actual economic substitutes.

His position as Minister for Economy was becoming impossible. Not only did his position as a technician not permit him to support the extravagant economic policy of the Four Year Plan, but the influence he still exerted in foreign financial circles would have vanished completely if he had remained officially at the head of a ministry the activity of which was manifestly directed

..../....

H2739 - 0033

against foreign countries. He was no longer the man of the moment, and therefore he resigned on 26 November 1937, but remained at his post at the Reichsbank and became minister without portfolio.

In the session of 3 May 1946 SCHACHT stated in regard to his resignation as Minister for Economy in November 1937:

> "The differences that led to my resignation originated in the fact that GOERING wished to take command of the entire economic policy, while I was to assume the responsibility. I held the opinion that he who assumed the responsibility should also be in command, for if anybody commands it is normal for him to assume the responsibility. Here is the formal reason why I tendered my resignation....."

Mr. Justice JACKSON reminded him that he stated on 16 October 1945 (U.S.A. 636):

> "After GOERING had taken this matter of the Four Year Plan in hand, and I should say, after he took over the control of prices in April 1936, and even more after the Four Year Plan in September 1936, he always tried to obtain control of the economic policy; one of the objects of our dispute was that he would become a plenipotentiary in case of war; he was too ambitious

H2739 - 0034

to get everything into his hands, and while I held the post of Minister of Economy I always opposed this".

On 29 December 1937, after leaving the Ministry of Economy, SCHACHT wrote to General THOMAS, the principal instigator of German rearmament, about the military and economic plans. (EC. 257 U.S.A. 763)

"I recall with much inner satisfaction my work within the Reich Ministry of Economy, which gave me the opportunity of collaborating during the decisive period of rearmament, which I have always considered as a condition "sine qua non" for the rebirth of our people, and this not only as up to now in the field of finance, but also in the field of economy.

It is there that collaboration with your general staff, and more particularly with you yourself, has been for me a source of real joy..."

H2739 - 0035

The German State was increasingly in need of funds, the expenses occasioned by the Anschluss, the Sudeten campaign and the fortifications and mobilization were considerable, the money market was no longer sufficient and the mark's purchasing power was depreciating.

It is disclosed by the report sent by the Minister of Finance SCHWERIN-KROSIGK to HITLER on the 1 September 1938 (EC. 419 USA 621) that since 1932 the debts of the Reich had trebled, that in particular the system of the MEFO drafts which amounted to 13 milliards 300 million marks had to be abandoned, and finally that the resources of the Reich's Treasury would be exhausted in the course of the month of September.

The Directors of the Reichsbank prepared shortly after the events of Munich (Autumn 1938) a memorandum intended for HITLER which is tantamount to a file in bankruptcy in the hands of the Chief of the State.

According to the memorandum, all monetary resources were exhausted by rearmament, the Bank could not meet its engagements, it had 6 milliard in bills and was faced with the prospect of having to discount another 6 milliards of which 3 were short-term.

SCHACHT kept the memorandum until the 7 January 1939, at which date he sent it to HITLER (E.C. 369 USA 631)

...../...

H2739 - 0036

Meanwhile, on 29 November 1938, Schacht had delivered a speech (E.C. 611 - USA 836) attempting to vindicate his policy.

On the 19 January 1939, Schacht was relieved of his post of President of the Reichsbank and replaced by Funk who had already succeeded him in the Ministry of Economy. Schacht, nevertheless, remained a State Minister until the 21 January 1943.

On 19 January 1939, Hitler sent him a letter of thanks saying in particular that his name would be primarily connected with the first era of national rearmament and that he was to continue his services in his new capacity of Reich Minister.

Schacht's defensive allegations.

In substance, Schacht claims that he was a pacifist that he strove to feed the German people, that if he had contributed to rearmament, it was not with a view to war but to restore to his country the strength necessary to enable it to live on the same footing with neighbouring countries.

He alleges that Germany had fulfilled her obligations deriving from the Treaty of Versailles, but that since the neighbbouring nations had not disarmed, his country was entitled to reconstitute its army.

He asserts that on realising that Hitler contemplated a policy of wars of aggression, he tried to slow down rearmament; that he took part

...../

H2739 - 0037

in a plot against HITLER, and casts the responsibility of the facts with which he is charged upon other co-defendants, GOERING in particular.

Such argumentation cannot be taken into consideration, for:

HITLER has never concealed, particularly in his book "Mein Kampf", his aggressive intentions, and SCHACHT could not become the chief support of the leaders of the Third Reich without adopting for his own their ideas on territorial annexations.

It is needless to challenge SCHACHT's allegations claiming that Germany had executed those obligations attendant upon her in virtue of the Treaty of Versailles.

When he alleges, as well as his co-defendants, that other countries, namely France, had not disarmed, his bad faith is not in doubt, for if France had not entirely disarmed, it was because Germany was surreptitiously reconstituting her army, which could not entirely escape the notice of neighbouring countries. The Thomas and Schussler reports already quoted constitute in particular a more than ample proof of Germany's action in this respect.

Can SCHACHT claim that he wished to give an army to his country with pacific intentions? The abnormal amount of the credits he put at the disposal of the army and his raw material import policy adequately show that it was not merely a matter of organizing the defense of the Reich but actual offensive armies.

...../..

H2739 -0038

-8098
CG/MF

During the cross-examination of 2 May 1946, Mr. Justice JACKSON reminded SCHACHT of General Von BLOMBERG's statements according to which the plan regarding the Wehrmacht was nearly finished in 1937, as this plan had been discussed with him (SCHACHT) in order to know to what extent the Wehrmacht was to be increased. SCHACHT admitted these facts. But he tried to exclude the questions based upon what BLOMBERG's statements specifying precisely that each year SCHACHT knew the number of new military formations and installations, that the demands for credits were made in writing and that he was aware of the constant increase in the German armed forces.

A comparison is necessary; as it has been stated above, the expenses for German armament amounted to a minimum of:

Financial Year 1935 - 1936 .....5 milliard Marks,

" 1936 - 1937 .....7 milliard Marks,

" 1937 - 1938 .....11 milliard Marks,

" 1938 - 1939 .....14 milliard Marks,

which represents in French francs at the average rate of the financial years from 1935 up to the end of 1938, in millions of francs:

from 1 April to 31 December 1935, at the rate of 6,09,

$\frac{5.000 \times 3 \times 6,09}{4} = 22.837,5;$

from 1 January to 31 March 1936, at the rate of 6,71,

$\frac{5.000 \times 6,71}{4} = 8.387,5;$

from 1 April up to 31 December 1936, at the rate of 6,71

$\frac{7.000 \times 6,71 \times 3}{4} = 35.227.5$

H2739 - 0039

from 1 January to 31 March 1937, at the rate of 9,28

$\frac{7.000 \times 9,28}{4}$ = 16.240 ;

from 1 April to 31 December 1937, at the rate of 9,28

$\frac{11.000 \times 9,28 \times 3}{4}$ = 76.560 ;

from 1 January to 31 March 1938, at the rate of 14,05

$\frac{11.000 \times 14,05}{4}$ = 38.637,5 ;

from 1 April to 31 December 1938, at the rate of 14,05

$\frac{14,000 \times 14,05 \times 3}{4}$ = 147,525 ,

Total on
31 December 1938 ... 345.415 million francs

At the moment of SCHACHT's
departure from the Reichsbank.

During the same period, but including the first three months of the year 1935, France took upon herself the following military expenses for the Ministries of War, the Navy and the Air (it is to be noted that the Ministry of the Air included exclusively civil expenses):

from 1 January up to 31 December	1935	10.010-
" "	" 1936	6.657-
"	" 1937	8.917-
"	" 1938	10.380-
		35.964.-

When considering on the one hand that the French expenses were discussed in public sessions and generally known, whereas a large part of the German expenses were camouflaged, as SCHACHT stated;

H2739 -0040

and that on the other the German expenses of the first three month of 1935 are not included, we can, on principle, take it for granted that from 1935 to 1939 Germany financed ten times as much armament as France. This proportion of ten armored divisions to one became clear during the war.

At this time, as events proved, the Russian and Polish armies did not dispose of sufficient modern war material to justify such large armament on the part of Germany, if her leaders had not had the will to launch wars of aggression.

H2739 – 0041

C.G./F.T.
8.111

In the course of the cross-examination of 3 May 1936 (sic) Mr. Justice JACKSON recalled the following passages from the speech made by SCHACHT on 29 November 1938 at the German Academy (E.C. 611 - U.S.A. 836).

"Perhaps there is no other bank of issue which in times of peace "has engaged in a credit policy equally audacious as that of the "Reichsbank since the assumption of power by National Socialism. "By reason of this policy, however, Germany has created an "armament which has no equal in the world, and this armament "has, in turn, made results of our policy possible .....

".....

"A unique personality is in power today, instead of a weak and "isolated Government. That is the great miracle which Germany "has experienced, which affects all the domains of life, among "them the domains of economy and finance - which are by no means "the least of them. We do not deal with a German financial "miracle; the actual resurrection of national conscience and of "German discipline is the miracle, and we are all indebted for "this miracle to our Fuehrer Adolf HITLER.....

" Q. Did you say that?

" A. (SCHACHT) Certainly. That is just the point which astounded "me greatly. (sic)."

The argument derived from the fact that he was purported to be the soul of a plot against HITLER is not valid. In the atmosphere of intrigues, hatred, ambition, among the Leaders of the Third Reich the preparation of a plot in no way changes their responsibility arising from the fact that they engaged in wars of aggression which they either prepared or conducted.

If there were divergencies among them, they were nevertheless in accord about the final goal, namely domination through violence.

...../..

H2739 - 0042

If SCHACHT resigned from his position as Minister of Economics and, at a later date, as President of the Reichsbank this was because as a result of his own acts-which by the way ran contrary to the economic principles to which he laid claim - his position had become impossible for technical reasons. As for his will of aggression, expansion and hegemony, it is the same as that of Hitler, as he remained in office as State Minister until 1943, at which time he understood that the war was lost for Germany. It is quite likely that his retirement in 1943 was well designed in the hope of bringing about a peace of compromise, or of resuming the work which he had carried on with such success from 1930 to 1939, should it happen that Germany was defeated.

H2739 - 0043

Conclusion

A first-class economist, a fervent proponent of academic theories, Schacht pledged his activity, his talent, his skill to carry on international negotiations, the entire credit which was at his disposal in foreign countries, all his genius, to those who aimed at making Germany the first military power in the world by reason of its territorial expansion and its economic hegemony.

The difficulties against which he had to fight were such as only a man of his calibre could surmount. No other of the other defendants could have reached such a goal.

The fact that he wittingly had recourse to expediencies which were inevitably bound to lead to aggressive warfare, for which the fullest measure of responsibility falls upon him, throws his culpability still more into relief.

Another fact which makes matters worse is that Schacht realized that the German Army at all times used methods of intimidation and of terror to facilitate invasion into other countries; he knew well that in this war, the result of his constant efforts, these methods would be more cruel still, because of the National Socialist deviations.

He shares this responsibility with the others who directed German economy, the big

H2739 - 0044

industrialists and great financiers took an active part in these proceedings and without whose help he would have remained powerless.

Schacht's indisputable responsibility establishes the principle of culpability for those who wittingly furnished to National Socialism a weapon which was to stain the world with blood.

Nuremberg, 3 July 1946

(s) Ch. Gerthoffer
Deputy at the
Seine Tribunal

H-2739

Brief note on the Responsibility of the Defendant Schacht
(French Delegation to the Public Prosecutor

H2739 – 0045